

Message Text

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SUBJECT: STUDY GROUP SUBMITS NEGATIVE REPORT ON "ECONOMIC AND
MONETARY UNION 1980"

1. FORMER EC COMMISSION VICE PRESIDENT MARJOLIN HELD A PRESS
CONFERENCE HERE ON APRIL 22 TO REPORT ON A COMMISSION-REQUESTED
STUDY ON "ECONOMIC AND MONETARY UNION 1980." A GROUP OF 14
ECONOMISTS, SOCIOLOGISTS AND LEGAL EXPERTS LED BY MARJOLIN, HAS
STUDIED FOR THE PAST 15 MONTHS WHY EUROPEAN MONETARY UNION
(EMU) HAS BOGGED DOWN.

DESPITE SOME TECHNICAL PROGRESS, THE STUDY CONCLUDES THAT MOVEMENT
TOWARD EMU HAS RETROGRESSED SINCE THE EC'S ADOPTION OF THE STEP-
BY-STEP (WERNER) PLAN OF 1969. THESE EFFORTS HAVE BEEN STYMIED
FOR THREE REASONS: (1) ADVERSE INTERNATIONAL MONETARY EVENTS;
(2) THE LACK OF AN EC WILL TO ATTACK JOINTLY THE CURRENT CRISIS;
AND (3) AN INSUFFICIENT ANALYSIS OF THE REQUIRED CONDITIONS TO
ACHIEVE EMU.

2. THE STUDY SUGGESTS THAT EMU CANNOT BE ACHIEVED IN STAGES BUT
A EUROPEAN POLITICAL AUTHORITY IS FIREST NEEDED WHICH WOULD
TRANSFER NATIONAL AUTHORITY TO EC INSTITUTIONS. IT RECOG-
NIZES, HOWEVER, THAT IT IS CURRENTLY NOT FEASIBLE TO RAISE
SUCH A BASIC POLITICAL ISSUE. THUS, THE GROUP HAS NOT
ATTEMPTED TO DRAW UP A PLAN FOR EMU. IT RECOMMENDS DRAWING
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SUCH A PLAN AT A MORE PROPITIOUS TIME. FOR THE PRESENT,

THE STUDY PROPOSES FOUR MEASURES:

- A. AN EXCHANGE STABILIZATION FUND SHOULD PROVIDE SHORT-TERM CREDIT TO ASSIST MEMBER STATES FACING FINANCIAL CRISES;
- B. THIS FUND WOULD PAVE THE WAY FOR AN EVENTUAL NEW EUROPEAN CURRENCY BASED ON A BASKET OF EUROPEAN CURRENCIES;
- C. THE EUROPEAN COMMON BORROWING FACILITY SHOULD BE EXPANDED SO AS TO SUPPLEMENT SUBSTANTIALLY THE IMF OIL FACILITY;
- D. AN EC UNEMPLOYMENT BENEFIT FUND SHOULD BE SET UP TO COMPLEMENT THE REGIONAL AND SOCIAL FUNDS.

3. COMMENT: THE MISSION IS SENDING UNDER THE COVER OF AN AIRGRAM THE FULL REPORT. THE COMMISSION AND MEMBER STATES HAVE NOT YET CONSIDERED THIS REPORT. SEVERAL OF ITS RECOMMENDATIONS HAVE ALREADY BEEN PROPOSED AND HAVE MET WITH MEMBER-STATE RESISTANCE. THE NINE, ESPECIALLY THE FRG, ARE RELUCTANT TO CONSIDER ANY ADDITIONAL MEASURES THAT WOULD REQUIRE INCREASING THE EC BUDGET. THE STUDY'S PENETRATING ASSESSMENT OF THE CURRENT PROSPECTS FOR EMU ARE REALISTIC, WE BELIEVE, AND THEREFORE MAKE THE STUDY WORTHWILE READING. END COMMENT.

GREENWALD

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